Treasury Board of Canada Secretariat
Secrétariat du Conseil du Trésor du Canada
Canada

Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended June 30, 2018

Published: 2018-09-10

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Published by Treasury Board of Canada, Secretariat
90 Elgin, Ottawa, Ontario, K1A 0R5, Canada

Catalogue Number: BT12-9E-PDF
ISSN: 2561-1852

This document is available on the Government of Canada website, Canada.ca

This document is available in alternative formats upon request.

Aussi offert en français sous le titre : Rapport financier trimestriel du Secrétariat du Conseil du Trésor du Canada pour le trimestre terminé le 30 juin 2018

Treasury Board of Canada Secretariat's Quarterly Financial Report for the Quarter Ended June 30, 2018

From Treasury Board of Canada Secretariat

Statement outlining results, risks and significant changes in operations, personnel and programs

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1. Introduction

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This quarterly report has been prepared by management as required by section 65.1 of the Financial Administration Act and in the manner prescribed by the Treasury Board. The report should be read in conjunction with the Main Estimates and the Supplementary Estimates (A), as well as Budget Plan 2014, Budget Plan 2015, Budget Plan 2016, Budget Plan 2017 and Budget Plan 2018.

The report has been reviewed by the Departmental Audit Committee.

1.1 Basis of presentation

This report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Treasury Board of Canada Secretariat's spending authorities granted by Parliament and those used by the Secretariat, consistent with the

Main Estimates and Supplementary Estimates (A) for the fiscal year ending March 31, 2019. This report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before money can be spent by the government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The Secretariat uses the full accrual method of accounting to prepare and present its annual departmental financial statements, which are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

1.2 Raison d'être

The Secretariat is the central agency that acts as the administrative arm of the Treasury Board, a committee of Cabinet. The Secretariat supports the Treasury Board in the following principal roles:

Spending oversight

Review spending proposals and authorities; review existing and proposed government programs for efficiency, effectiveness and relevance; provide information to Parliament and Canadians on government spending.

Administrative leadership

Lead government-wide initiatives; develop policies and set the strategic direction for government administration related to service delivery, access to government information, and the management of assets, finances, information and technology.

Regulatory oversight

Develop and oversee policies to promote good regulatory practices; review proposed regulations to ensure they adhere to the requirements of government policy; and advance regulatory cooperation across jurisdictions.

Employer

Develop policies and set the strategic direction for people management in the public service; manage total compensation (including pensions and benefits) and labour relations; undertake initiatives to improve performance in support of recruitment and retention objectives.

1.3 Secretariat's financial structure

The Secretariat manages both departmental and Treasury Board central votes. Its departmental operating expenditures and revenues are managed under Vote 1, Program Expenditures.

The Secretariat manages 8 different central votes:

- Vote 5, **Government Contingencies**, supplements other appropriations to provide federal departments and agencies with temporary advances for urgent or unforeseen departmental expenditures between Parliamentary supply periods.
- Vote 10, **Government-Wide Initiatives**, supplements other appropriations to support the implementation of strategic management initiatives across the federal public service.
- Vote 15, **Compensation Adjustments**, supplements other appropriations to provide funding for adjustments made to terms and conditions of service or employment of the federal public administration as a result of collective bargaining.
- Vote 20, **Public Service Insurance**, provides the employer's share of group benefit plan coverage costs as part of the Treasury Board's role as the employer of the core public administration. These plans include the Public Service Health Care Plan, Public Service Dental Care Plan, Pensioners' Dental Services Plan, Disability Insurance Plan, provincial payroll taxes (Manitoba, Newfoundland, Ontario and Quebec), Public Service Management Insurance Plan.
- Vote 25, **Operating Budget Carry Forward**, supplements other appropriations for the carry forward of unused operating funds from the previous fiscal year, up to 5% of the gross operating budget in an organization's Main Estimates.
- Vote 30, **Paylist Requirements**, supplements other appropriations to meet legal requirements for the government as employer for items such as parental benefits and severance payments.
- Vote 35, **Capital Budget Carry Forward**, supplements other appropriations for the carry forward of unused capital funds from the previous fiscal year, up to 20% of an organization's capital vote.
- Vote 40, **Budget Implementation**, a new central vote was added in 2018-19 for new measures approved in Budget 2018 to facilitate timely availability of supply for Budget 2018 activities being carried out this fiscal year. Funding provided through this vote is tied to a detailed table from Budget 2018 showing the amount of funding required by each department to implement each budget initiative.

The funding in these votes is approved by Parliament. With the exception of Vote 20, funding in central votes is transferred from the Secretariat to individual departments and agencies once specified criteria are met. Like any other department, the Secretariat also receives its own share of appropriations transferred from these votes to its own Vote 1. Any unused balance from these votes is returned to the fiscal framework at the end of the year and is reported as the Secretariat lapse.

Expenditures incurred against statutory authorities mainly reflect the government's obligation to pay the employer's share of the Public Service Pension Plan, the Canada Pension Plan and the Québec Pension Plan, Employment Insurance premiums and Public Service Death Benefits. The Secretariat

recovers from other government departments and agencies their share of the employer contributions under the Public Service Superannuation Act, and is subsequently charged by Public Services and Procurement Canada for actual expenditures in the same statutory vote. Adjustments are made at year-end to individual departments' statutory votes (including those of the Secretariat) for the difference between periodic recoveries and actual expenditures.

This quarterly report highlights the financial results of Vote 1, Program expenditures, related to the delivery of the Secretariat's mandate; Vote 20, Public Service Insurance related to the employer's share of group benefit coverage to employees of the core public service under the various plans listed above; and statutory authorities that cover any residual amounts between the government's contributions to the various plans and the distribution of these costs to departments. Transfer amounts from all other central votes mentioned above will be included in the financial reports of the individual recipient departments.

2. Highlights of fiscal quarter and fiscal year-to-date results

In this section

- Statement of voted and statutory authorities
- Statement of departmental budgetary expenditures by standard object

This section:

- highlights the financial results for the quarter and fiscal year to date ended June 30, 2018
- provides explanations of variances compared with the same period last year that exceed materiality thresholds of:
  - $1 million for Vote 1, Program expenditures and statutory votes
  - $10 million for Vote 20, Public Service Insurance

Highlights of the fiscal quarter and the fiscal year-to-date results ($ thousands)

	2017–18 Budgetary authorities to March 31, 2018	2018–19 Budgetary authorities to March 31, 2019	Variance in budgetary authorities	Year-to-date expenditures as at Q1 2017–18 (June 30, 2017)	Year-to-date expenditures as at Q1 2018–19 (June 30, 2018)	Variance in expenditures
Vote 1: Program Expenditures	249,305	240,298	-9,007	50,794	60,360	9,566
Vote 20: Public Service Insurance	2,398,571	2,952,919	554,348	620,668	669,417	48,749
Statutory authorities	367,427	368,584	1,157	-74,943	9,921	84,864

	2017–18 Budgetary authorities to March 31, 2018	2018–19 Budgetary authorities to March 31, 2019	Variance in budgetary authorities	Year-to-date expenditures as at Q1 2017–18 (June 30, 2017)	Year-to-date expenditures as at Q1 2018–19 (June 30, 2018)	Variance in expenditures
Total	**3,015,303**	**3,561,801**	**546,498**	**596,519**	**739,698**	**143,179**

2.1 Statement of voted and statutory authorities

Total budgetary authorities available for use increased by $546.5 million (18.1%) from the previous fiscal year:

- Vote 1 authorities decreased by $9.0 million
- Vote 20 authorities increased by $554.3 million
- statutory payments increased by $1.2 million

The following table provides a detailed explanation of these changes.

Changes to voted and statutory authorities (2018–19 compared with 2017–18)	$ thousands
Vote 1: Program Expenditures	
Second year of funding for the Canadian Digital Service to develop digital mobile applications to improve ways in which Canadians access government services	7,008
Budget 2018 funding to establish a dedicated Human Resources Pay Solutions Team to put forward a recommended approach for a new pay system	6,992
Compensation adjustments to fund salary increases to meet obligations under new collective agreements	4,291
Ongoing funding contributed by other government departments and agencies to the Executive Leadership Development Programs to strengthen our world-class Canadian Public Service by developing high-performing, results-oriented executives characterized by innovation, agility and collaboration	3,653
The second and final year of funding for the Web Renewal Initiative to consolidate departmental websites providing 70% of online services to canadians into one single Canada.ca website	2,425
Funding to extend Access to Information to other government departments and agencies	1,130
Ongoing funding to support a joint career development committee with the Association of Canadian Financial Officers to fund the training of the FI community from external providers	1,000
Other miscellaneous increases	785
A reduction in the level of other government departments and agencies contributions to support the Secretariat-led Government-Wide Back Office Transformation Initiative	-24,800

Changes to voted and statutory authorities (2018–19 compared with 2017–18)	$ thousands
Sunset of funding for the Workspace Renewal Initiative. In 2017-18 the Secretariat completed the Phase II of the initiative.	-11,491
Subtotal Vote 1	**-9,007**
Vote 20: Public Service Insurance	
Budget 2018 funding for Public Service Insurance and Service Income Security Insurance Plan	554,014
Miscellaneous increase	334
Subtotal Vote 20	**554,348**
Statutory authorities	
An increase in the Secretariat's share of contributions to EBP for its employees related to the increase in funding received in 2018-19	1,155
Other adjustments	2
Subtotal statutory authorities	**1,157**
Total authorities	**546,498**

2.2 Statement of departmental budgetary expenditures by standard object

By the end of the fiscal quarter ended June 30, 2018, year-to-date budgetary expenditures had increased by $143.2 million (24.0%) compared with the same period in the previous year:

- Vote 1 expenditures increased by $9.6 million
- Vote 20 expenditures increased by $48.7 million
- statutory payments increased by $84.9 million

The following table provides a detailed explanation of these changes by standard object.

Standard object	Changes to voted and statutory expenditures (fiscal quarter ended June 30, 2018 compared with fiscal quarter ended June 30, 2017)	$ thousands
Vote 1: Program Expenditures		
1 Personnel	The increase in salary spending is due to the implementation of several collective agreements signed in 2017-18. The increase is also due to additional staff hired to work for the following initiatives: Greening Government, Web Renewal Initiative, Access to Information Program, and Canadian Digital Services.	5,197
4 Professional Services	The variance is due to additional expenditures in the first quarter of 2018-19 compared to the first quarter of 2017-18 for the Government-Wide Back Office Transformation Initiative. Additionally, an Interdepartmental Settlement invoice for $1.8M was charged to the Secretariat in error in late June; the entry was subsequently reversed in July 2018.	4,660

Standard object	Changes to voted and statutory expenditures (fiscal quarter ended June 30, 2018 compared with fiscal quarter ended June 30, 2017)	$ thousands
12 Other subsidies and payments	The decrease is due to the recovery of two specific cost sharing agreements: a) Regulatory Reviews which will work to make the Canadian regulatory system more agile, transparent and responsive, and b) Talent Cloud IT Project that will create a repository of searchable, pre-assessed and inter-operable talent in 2018-19.	-1,357
Other	Miscellaneous expenditures	1,066
Subtotal Vote 1		**9,566**
Vote 20: Public Service Insurance		
1 Personnel	The increase is due to higher costs per service and increase of members for the Public Service Health Care Plan benefits. There are also increases in the Disability Insurance Plan, Provincial Payroll Taxes, RCMP Life and Disability Insurance Plan, and the Public Service Management Insurance Plan. These increases are attributable to a higher salary base for the calculation of employer premiums following the ratification of collective agreements in 2017. Additionally, the Public Service Management Insurance Plan had premiums re-instated, effective January 2017 and implemented in March 2018.	58,119
Other	Miscellaneous expenditures	-9,370
Subtotal Vote 20		**48,749**
Statutory expenditures		
1 Personnel	Public Services and Procurement Canada (PSPC) charges the Secretariat for the employer's share of contributions to the Public Service Pension Plan, the Canada Pension Plan, the Québec Pension Plan, the Employment Insurance Plan and the Supplementary Death Benefit Plan. The Secretariat recovers these payments from other government departments and agencies. The increase in the first quarter is mainly due to the timing of recoveries from other government departments and agencies of the employer' share of contributions to employee benefit plans; however, the net effect on the Secretariat's financial statements will be zero by year-end.	84,864
Subtotal statutory expenditures		**84,864**
Total expenditures		**143,179**

3. Risks and uncertainties

▾ In this section

- Delivery of results
- Capacity for delivery of Secretariat-led government-wide initiatives
- Employee wellness
- Impact of Phoenix on Secretariat employees
- Information technology capacity

The Secretariat operates in a dynamic environment, dominated by:

- economic fluctuations
- rapid technological change
- evolving demographics,
- geopolitical and security instability

Internally, it faces workload pressures and increased expectations for quality and timely advice due to the need to deliver an increased number of complex priorities within short time frames and with constrained financial resources. The Secretariat must continually plan for, and respond to, changes in this environment. The following describes key risks that the Secretariat is facing and their corresponding response strategies.

3.1 Delivery of results

The Secretariat has been mandated to deliver many complex priority initiatives, and there is a risk that the Secretariat may not have the necessary resources to generate results within the expected time frames.

In 2018–19, the Secretariat will continue to accelerate delivery of priority initiatives. There continues to be an increased focus on the following in order to reallocate resources to emerging high priorities and to ensure that resources are being managed effectively to deliver results:

- reviewing core business on an ongoing basis
- eliminating unnecessary work

The Secretariat has also established a deployable team of experts to help support the delivery of high-priority initiatives.

3.2 Capacity for delivery of Secretariat-led government-wide initiatives

The Secretariat is playing an increasingly prominent role in delivering government-wide initiatives such as:

- the enabling functions transformation
- open government
- the modernization of the Access to Information Act

Leading these initiatives is a challenge, particularly given the requirement to implement transformational change in an organization as large and complex as the federal government.

In response, the Secretariat will:

- strengthen the accountability and skills of its project managers
- update the Secretariat's investment plan

The Secretariat will also improve its oversight of enterprise-wide initiatives to ensure that:

- the design, development and implementation of each initiative is phased in a way that facilitates adjustments and course corrections along the way
- the results and benefits expected from each initiative are achieved

3.3 Employee wellness

The Secretariat continues to face workload pressures due to the number and complexity of priority initiatives discussed above. There is a risk that sustaining an increased level and pace of work could affect the well-being of employees and the wellness of the organization over time.

To address this risk, the Secretariat is implementing a Wellness Action Plan that includes communications products, training and tools to support employee well-being.

3.4 Impact of Phoenix on Secretariat employees

The Secretariat is addressing the impact of Phoenix pay errors by strengthening its approach to forecasting salary requirements at the individual employee level and enhancing its challenge function so that it can:

- effectively monitor and track salary expenditures
- follow up on overpayments in a timely manner
- make appropriate adjustments at year-end

The Secretariat approved a Management Action Plan in response to the Office of the Auditor General's recommendations on payroll management. These activities will enable the Secretariat to further assess the accuracy and completeness of payroll information that affects departmental appropriations and employees.

3.5 Information technology capacity

Some of the Secretariat's new priority initiatives will depend on information technology to achieve the desired results. Without enhancements to the Secretariat's departmental information technology infrastructure, the delivery of some key priorities may be delayed.

To address this risk, the Secretariat, in collaboration with Shared Services Canada, continually reviews allocated server capacity and decommissions unused applications to ensure optimal efficiency and reduce costs. To ensure that its network and infrastructure are highly available, secure and fully managed, the Secretariat is developing disaster recovery plans for business-critical systems. The Secretariat will also increase its information technology capacity through the use of alternate sources such as:

- cloud services
- software as a service
- infrastructure as a service

4. Significant changes in relation to operations, personnel and programs

This section highlights significant changes in operations, personnel and programs of the Secretariat during the first quarter of the fiscal year.

The Secretariat is improving the Canada.ca website by understanding user needs better. The Digital Transformation Office of the Strategic Communications and Ministerial Affairs sector is co-creating user-tested prototypes with partner departments to simplify language and clarify instructions, making it easier for people to find what they're looking for. The prototypes are now being implemented on Canada.ca by the Secretariat's departmental partners. While relatively small in scale, these changes to content will go a long way in improving service for Canadians on web pages that attract millions of visits every year.

Other notable changes are the appointments of Peter Wallace as the new Secretary of the Treasury Board, effective April 4, 2018. In addition:

- Janique Caron was appointed Assistant Comptroller General, Financial Management Sector, effective April 3, 2018
- Aaron Snow was appointed Chief Executive Officer of the Canadian Digital Service, effective April 9, 2018
- Natalie Lalonde was appointed Director General of the Internal Audit and Evaluation Bureau, effective April 16, 2018
- Carolina Giliberti was appointed Special Advisor to the Chief Human Resources Officer, effective April 30, 2018
- Jean-François Fleury was appointed Assistant Deputy Minister, Human Resources Transformation Sector, effective May 22, 2018
- Marie-Chantal Girard was appointed Assistant Deputy Minister, Pensions and Benefits Sector, effective June 4, 2018
- Karen Cahill was appointed Assistant Secretary, Corporate Services Sector and Chief Financial Officer, effective July 3, 2018

5. Approval by senior officials

Approved by:

Original signed by	Original signed by
Peter Wallace, Secretary	Karen Cahill, Chief Financial Officer

Ottawa, Canada

Date: August 17, 2018

Appendix

Statement of Authorities (unaudited)
(in dollars)

	Fiscal year 2017-2018			Fiscal year 2018-2019		
	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended June 30, 2017	Year to date used at quarter-end	Total available for use for the year ending March 31, 2019 *	Used during the quarter ended June 30, 2018	Year to date used at quarter-end
Vote 1 - Program Expenditures	249,305,302	50,793,704	50,793,704	240,297,640	60,359,571	60,359,571
Vote 20 - Public Service Insurance	2,398,570,604	620,667,939	620,667,939	2,952,919,397	669,417,254	669,417,254
Statutory Authorities						
A111 - President of the Treasury Board - Salary and motor car allowance	84,400	21,150	21,150	86,000	21,500	21,500
A140 - Contributions to employee benefit plans	27,342,934	6,775,186	6,775,186	28,497,698	6,974,326	6,974,326
A145 - Unallocated employer contributions made under the PSSA and other retirement acts and the Employment Act (EI)	340,000,000	-81,739,525	-81,739,525	340,000,000	2,924,786	2,924,786

* Includes only Authorities available for use and granted by Parliament at quarter-end

	Fiscal year 2017-2018			Fiscal year 2018-2019		
	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended June 30, 2017	Year to date used at quarter-end	Total available for use for the year ending March 31, 2019 *	Used during the quarter ended June 30, 2018	Year to date used at quarter-end
A681 - Payments under the Public Service Pension Adjustment Act	0	67	67	0	13	13
A683 - Payments for the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act	0	0	0	0	0	0
Total Statutory Authorities	367,427,334	-74,943,122	-74,943,122	368,583,698	9,920,625	9,920,625
Total authorities	3,015,303,240	596,518,521	596,518,521	3,561,800,735	739,697,450	739,697,450

* Includes only Authorities available for use and granted by Parliament at quarter-end

Departmental budgetary expenditures by Standard Object (unaudited)
(in dollars)

	Fiscal year 2017-2018			Fiscal year 2018-2019		
	Planned expenditures for the year ending March 31, 2018 *	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2019 *	Expended during the quarter ended June 30, 2018	Year to d used a quarter-
Expenditures:						
1 Personnel	3,557,827,685	689,786,255	689,786,255	4,182,007,756	837,965,992	837,965
2 Transportation and communications	1,412,763	256,764	256,764	2,013,589	412,702	412
3 Information	235,642	73,051	73,051	220,717	69,593	69
4 Professional and special services	75,546,702	14,474,655	14,474,655	59,641,158	20,201,913	20,201
5 Rentals	2,242,431	154,609	154,609	1,969,969	284,708	284
6 Repair and maintenance	2,642,973	4,156	4,156	976,697	5,597	5
7 Utilities, materials and supplies	581,379	53,490	53,490	508,076	155,434	155
9 Acquisition of machinery and equipment	6,257,557	729,220	729,220	3,240,474	1,407,374	1,407
10 Transfer payments	981,690	351,297	351,297	981,690	350,013	350
12 Other subsidies and payments	624,888	1,898,218	1,898,218	398,616	253,602	253
Total gross budgetary expenditures	3,648,353,710	707,781,714	707,781,714	4,251,958,742	861,106,929	861,106
Less Revenues netted against expenditures:						

* Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated employer contributions made under the Public Service Superannuation Act and other retirement acts and the Employment Act (EI); Payments made under the Public Service Pension Adjustment Act; Payments the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act).

	Fiscal year 2017-2018			Fiscal year 2018-2019		
	Planned expenditures for the year ending March 31, 2018 [*]	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2019 [*]	Expended during the quarter ended June 30, 2018	Year to d used a quarter-
Vote Netted Revenues (VNR) - Centrally managed items	-620,411,799	-111,263,193	-111,263,193	-676,711,799	-121,409,479	-121,409
Vote Netted Revenues (VNR) - Program expenditures	-12,638,671	0	0	-13,446,208	0	
Total Revenues netted against expenditures	-633,050,470	-111,263,193	-111,263,193	-690,158,007	-121,409,479	-121,409
Total net budgetary expenditures	3,015,303,240	596,518,521	596,518,521	3,561,800,735	739,697,450	739,697
Government-Wide Expenses included above [*]						
1 Personnel	3,356,573,196	640,839,679	640,839,679	3,626,887,196	783,622,679	783,622
2 Transportation and communications	0	1,396	1,396	0	662	
4 Professional and special services	1,909,207	7,279,383	7,279,383	2,244,000	8,346,293	8,346
5 Rentals	0	0	0	0	0	
10 Transfer payments	500,000	351,297	351,297	500,000	350,013	350
12 Other subsidies and payments	0	1,719,919	1,719,919	0	1,431,885	1,431
Total	3,358,982,403	650,191,674	650,191,674	3,629,631,196	793,751,532	793,751

[*] Government-Wide Expenses include Vote 20 and Statutory Authorities (Unallocated employer contributions made under the Public Service Superannuation Act and other retirement acts and the Employment Act (EI); Payments made under the Public Service Pen ion Adjustment Act; Payments the pay equity settlement pursuant to section 30 of the Crown Liability and Proceedings Act).

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[ISSN: 2561-1852]

Date modified:
2018-09-10